

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Application and Request)	
of Blue Valley Tele-Communications, Inc.)	Docket No. 20-BLVT-218-KSF
for an Increase in its Cost-Based Kansas)	
Universal Service Fund Support.)	

**DIRECT TESTIMONY
PREPARED BY
KATIE L. FIGGS
UTILITIES DIVISION
KANSAS CORPORATION COMMISSION
March 20, 2020**

1 **Q. Would you please state your name and business address?**

2 A. My name is Katie L. Figgs. My business address is 1500 Southwest Arrowhead Road,
3 Topeka, Kansas, 66604.

4
5 **Q. By whom are you employed and in what capacity?**

6 A. I am employed by the Kansas Corporation Commission (KCC or Commission) as a
7 Senior Auditor.

8
9 **Q. Would you please describe your educational background and business experience?**

10 A. I received a Bachelor's of Business Administration with an emphasis in Accounting from
11 Washburn University in May of 2011. I began employment with the Commission as a
12 Regulatory Auditor in August 2012 and then was promoted to my current position in
13 November 2016.

14
15 **Q. Have you ever testified before the Commission?**

16 A. Yes. I have filed testimony before the Commission in Docket Nos. 12-LHPT-875-AUD,
17 13-JBNT-437-KSF, 13-PLTT-678-KSF, 14-ATMG-320-RTS, 14-S&TT-525-KSF, 15-
18 MRGT-097-AUD, 15-WSEE-115-RTS, 15-TWVT-213-AUD, 16-ATMG-079-RTS, 17-
19 RNBT-555-KSF, 18-WSEE-328-RTS, 18-KGSG-560-RTS, 19-EPDE-223-RTS, 19-
20 GNBT-505-KSF, and 20-UTAT-032-KSF.

21
22 **Q. What were your responsibilities in the review of Blue Valley Tele-Communications,**
23 **Inc.'s (Applicant or Blue Valley) November 8, 2019, Application?**

1 A. My responsibilities as the lead auditor in this case were to analyze, audit, and review
2 Blue Valley's filing before the Commission to determine its cost-based Kansas Universal
3 Service Fund (KUSF) support to reflect its current revenue requirement and
4 circumstances. I reviewed the Company's filing, requested and analyzed additional
5 information, and participated in an on-site review at the Company's headquarters in
6 Home, Kansas, to inspect records, tour the Company's facilities, and to confer with Blue
7 Valley's management and consultants. In addition, I am sponsoring Staff's schedules.
8 My duties were carried out under the direction of the Chief of Accounting and Financial
9 Analysis, Justin Grady.

10
11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony is to sponsor schedules based on Staff's review of Blue
13 Valley's Application. My testimony will be presented in the following manner:

- 14 ▪ Overview
- 15 ▪ Staff Accounting Schedules
- 16 ▪ Background

17
18 **Q. Please provide the list of Staff witnesses and a brief description of the testimony they**
19 **are sponsoring.**

20 A. Ian Campbell: Mr. Campbell sponsors testimony related to various income statement
21 adjustments including advertising expense, dues and donations, miscellaneous expenses,
22 property taxes, KUSF support, and audit expense.

1 Ann Diggs: Ms. Diggs sponsors testimony related to various rate base and income
2 statement adjustments including payroll, employee benefits, billing and collection, etc.
3 Additionally, Ms. Diggs sponsors the regulated and non-regulated allocations proposed
4 by Staff.

5 Adam Gatewood: Mr. Gatewood sponsors testimony related to capital structure, cost of
6 long term debt, and return on equity.

7 Kristina Luke Fry: Ms. Luke Fry sponsors testimony related to various rate base
8 adjustments including plant in service, accumulated depreciation, telephone plant under
9 construction (TPUC), and materials and supplies.

10 Roxie McCullar: Ms. McCullar sponsors testimony related to the Federal
11 Communications Commission's separations process and the application of K.S.A. 66-
12 2008(e)(2) for Federal Universal Service Fund (FUSF) support.

13
14 **Q. How is the rest of your testimony organized?**

15 A. The remainder of my testimony is organized as follows:

16 **Overview** – I provide an overview, which presents a background of Blue Valley's
17 operations and the components of its KUSF filing.

18 **Analysis** – I discuss Staff's revenue requirement analysis. I also present a table of Staff's
19 adjustments to the pro forma rate base and income statement.

20 **KUSF Cap** – I discuss the impact of Staff's recommended revenue requirement with
21 respect to the \$30 million KUSF cap for rural local exchange carriers (RLECs).

22 **Staff Schedules** – I describe Staff's accounting schedules detailing the elements of
23 Staff's proposed revenue requirement.

OVERVIEW

Q. Please provide an overview of Blue Valley's corporate structure.

A. Blue Valley Tele-Communications, Inc. is a Kansas rural telephone cooperative that provides local telephone services in twelve exchanges in northeast Kansas and serves approximately 3,000 access lines. Blue Valley is the parent company of One Point Technologies, Inc. (OPT), which provides CLEC telecommunication services to customers outside of the Company's regulated service area as well as non-regulated services consisting of hosted Private Branch Exchange (PBX), Internet Protocol Television (IPTV), Community Antenna Television (CATV), long distance, and internet services. In addition, OPT offers IT services through its Networks Plus brand.

Q. How do Blue Valley's local rates compare to other Local Exchange Carriers (LEC) in the area?

A. The chart below illustrates that the residential and business rates for Blue Valley are relatively comparable to the other LECs in the area.

Company	Residential	Business
Blue Valley	\$18.65	\$20.75
Wamego	\$18.65	\$20.75
JBN	\$17.75	\$20.75
Twin Valley	\$18.65	\$20.75
Rainbow	\$18.65	\$20.75

1 **Q. Has the Commission previously audited Blue Valley to determine its appropriate,**
2 **cost-based level of KUSF?**

3 A. Yes. Blue Valley filed an Application for additional support from the KUSF in Docket
4 No. 09-BLVT-913-KSF (09-913 Docket). The test year in the 09-913 Docket was the
5 period ending December 31, 2008, and was adjusted for known and measurable changes.
6 Blue Valley is currently requesting to increase its level of KUSF support to \$3,106,805
7 from its current level of \$623,217 per year, an increase of \$2,483,588 per year.¹
8

9 **Q. What test year did Blue Valley use in its Application in this proceeding?**

10 A. Blue Valley used a test year ending December 31, 2018, with cost study and pro forma
11 adjustments to revenues, expenses, and plant in service to capture pro forma changes.
12

13 **ANALYSIS**
14

15 **Q. What is Staff's proposed level of cost-based KUSF support after incorporating**
16 **Staff's adjustments within the Company's filed position?**

17 A. The total effect of Staff's recommended adjustments results in an intrastate revenue
18 increase of \$439,310 and an equal increase to the Company's current KUSF support. As
19 of July 1, 2019, Blue Valley's KUSF support is \$622,665 annually. Thus, Staff
20 recommends the Commission increase Blue Valley's KUSF draw to \$1,061,975.

¹ See November 8, 2019, Application, Section 3, Schedule 1.

Below is a chart comparing the Company's filed position and Staff's recommendation for net intrastate rate base, requested rate of return on assets, pro forma intrastate income, and the level of KUSF support.

Description	Blue Valley	Staff
Net Intrastate Rate Base	\$12,673,053	\$11,097,449
Rate of Return	10.25%	7.22%
Income (Loss)	(\$1,184,600)	\$361,926
Change in KUSF Support	\$2,483,588	\$439,310

Q. Please summarize the adjustments Staff is proposing in this Docket.

A. The following table presents a summarized list of Staff's adjustments, witnesses, and the effect of the adjustments on Rate Base or Operating Income.

Adj No.	Witness	Description	Amount
RB-1	Ann Diggs	GSF Plant	(\$36,649)
RB-2	Ann Diggs	Building Lease Capitalization	(737,267)
RB-3	Kristina Luke Fry	Update Plant in Service	(20,165)
RB-4	Kristina Luke Fry	Update Accumulated Depreciation	(2,739,026)
RB-5	Kristina Luke Fry	Telephone Plant Under Construction (TPUC)	(49,933)
RB-6	Kristina Luke Fry	Material and Supplies	(3,938)
RB-7	Kristina Luke Fry	Cash Working Capital	(51,242)
IS-1	Ian Campbell	Intrastate Access and Local Service Revenue, and KUSF Support	48,633

IS-2	Ian Campbell	Network Access Revenue	49,973
IS-3	Ian Campbell	Audit Expense	8,831
IS-4	Ian Campbell	Property Taxes	30,545
IS-5	Ian Campbell	Corporate Image Advertising	36,559
IS-6	Ian Campbell	Dues and Donations	70,723
IS-7	Ian Campbell	Miscellaneous Expense	11,868
IS-8	Ian Campbell	Legal Expense	75
IS-9	Kristina Luke Fry	Depreciation Expense	1,055,957
IS-10	Kristina Luke Fry	Board of Directors Expense	97,325
IS-11	Kristina Luke Fry	Travel and Training Expense	6,573
IS-12	Ann Diggs	GSF	387,795
IS-13	Ann Diggs	Building Lease Amortization Expense	30,007
IS-14	Ann Diggs	Payroll Expense	290,008
IS-15	Ann Diggs	Employee Benefits and Payroll Tax Expense	313,181
IS-16	Ann Diggs	Billing and Collection Expense	61,564

KUSF CAP

Q. Please describe the annual KUSF cap.

A. The annual KUSF cap of \$30 million and how that funding is to be distributed is outlined in K.S.A. 66-2008(e)(3), which states:

“Notwithstanding any other provision of law, the total KUSF distributions, not to include KUSF support for Kansas lifeline service program purposes, pursuant to K.S.A. 66-2006, and amendments thereto, made to all local exchange carriers operating under traditional rate of return regulation pursuant to K.S.A. 66-

1 2005(b), and amendments thereto, shall not exceed an annual \$30,000,000 cap. In
2 any year that the KUSF support for such carriers would exceed the annual cap,
3 each carrier's KUSF support shall be proportionately based on the amount of
4 support each such carrier would have received absent the cap. A waiver of the
5 cap shall be granted based on a demonstration by a carrier that such carrier would
6 experience significant hardship due to force majeure or natural disaster as
7 determined by the commission."
8

9 **Q. What impact does Staff's recommended level of KUSF support have on the annual**
10 **KUSF cap?**

11 A. Staff's recommendation to increase the level of Blue Valley's KUSF support will likely
12 increase the total KUSF distributions for Year 24 above the \$30 million cap as discussed
13 in greater detail in Staff witness Sandy Ream's direct testimony filed in Docket No. 20-
14 GIMT-086-GIT (20-086 Docket).²
15

16 **STAFF ACCOUNTING SCHEDULES**
17

18 **Q. Are you sponsoring Staff Accounting Schedules?**

19 A. Yes.
20

21 **Q. Please summarize how Staff's Accounting Schedules are organized.**

22 A. Summary schedules are presented first, with the Schedules showing the derivation of the
23 recommended adjustments following. The elements comprising the proposed revenue
24 requirements are summarized on Staff Schedule REV REQ. Staff's proposed rate base is
25 brought forward from Staff Schedule A-1, Staff Adjusted and Pro Forma Rate Base.

² Direct Testimony of Sandy Reams, 20-086 Docket (Dec. 13, 2019).

1 Similarly, Staff's adjusted net operating income recommendations are brought forward
2 from Staff Schedule B-1, Staff Adjusted and Pro Forma Operating Income Statement.
3 Staff's cost of capital recommendation is set forth on Staff Schedule C-1, Capital
4 Structure. The Schedules are organized as follows:

- 5 ▪ REV REQ lists individual components of Staff's pro forma revenue
6 requirement calculation, delineated between total company, interstate, and
7 intrastate.
- 8 ▪ A-1 shows Test Year Rate Base, as adjusted by the Company and Staff, on a
9 total company basis, interstate/intrastate separations factors, and amounts
10 allocated to the intrastate jurisdiction.
- 11 ▪ A-2 lists Staff's individual adjustments to the Company's pro forma test year
12 rate base.
- 13 ▪ A-3 calculates Cash Working Capital (CWC), as adjusted by the Company
14 and Staff.
- 15 ▪ A-4 contains an explanation of Staff's rate base adjustments.
- 16 ▪ B-1 contains the test year income statement, as adjusted by the Company and
17 Staff, delineated on a total-company basis, separations factors, and amounts
18 allocated to the intrastate jurisdiction.
- 19 ▪ B-2 lists Staff's individual adjustments to the Company's pro forma test year
20 income statement.
- 21 ▪ B-3 contains an explanation of Staff's adjustments to the income statement.
- 22 ▪ B-4-1 shows the calculation of the Company's interest expense.
- 23 ▪ C-1 shows the Company's test year and Staff adjusted capital structure.

1 ▪ C-2 lists Staff's individual adjustments to the Company's pro forma capital
2 structure.

3 ▪ C-3 contains an explanation of Staff's adjustment to the capital structure.
4

5 **Q. Are Staff's adjustments allocated to the interstate and intrastate jurisdictions prior**
6 **to inclusion in Staff's schedules?**

7 A. No. Staff calculated its adjustments on a total-company basis, with the adjustments
8 allocated between the interstate and intrastate jurisdictions, based on separations factors.
9 Some amounts, such as audit expense, are directly assigned to the appropriate
10 jurisdiction. Staff witness Roxie McCullar sponsors testimony regarding the review of
11 Blue Valley's separations study.
12

13 **Q. Does this conclude your testimony?**

14 A. Yes, thank you.

STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

VERIFICATION

Katie Figgs, being duly sworn upon her oath deposes and states that she is a Senior Auditor for the Utilities Division of the Kansas Corporation Commission of the State of Kansas, that she has read and is familiar with the foregoing *Direct Testimony*, and attests that the statements contained therein are true and correct to the best of her knowledge, information and belief.

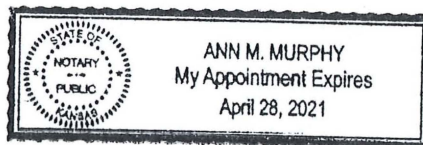


Katie Figgs
Senior Auditor
State Corporation Commission of the
State of Kansas

Subscribed and sworn to before me this 20 day of March, 2020.


Notary Public

My Appointment Expires: 4-28-21



CERTIFICATE OF SERVICE

20-BLVT-218-KSF

I, the undersigned, certify that a true and correct copy of the above and foregoing Direct Testimony was served via electronic service this 20th day of March, 2020, to the following:

COLLEEN JAMISON
JAMISON LAW, LLC
P O BOX 128
TECUMSEH, KS 66542
colleen.jamison@jamisonlaw.legal

BRIAN G. FEDOTIN, GENERAL COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
b.fedotin@kcc.ks.gov

CARLY MASENTHIN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
c.masenthin@kcc.ks.gov

MICHAEL NEELEY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3167
m.neeley@kcc.ks.gov


Ann Murphy